BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 91-237-S - ORDER NO. 91-1023

NOVEMBER 20, 1991

IN RE: Application of Woodland Utilities, Inc., for an Increase in Wastewater Rates and Charges for its Customers in Lexington County, South Carolina.	) ORDER) APPROVING) RATES AND) CHARGES

This matter is before the Public Service Commission of South Carolina (the Commission) on the Application of Woodland Utilities, Inc. (Woodland or the Company) for approval of a new schedule of rates and charges for its wastewater customers in Lexington County, South Carolina. The Company's May 23, 1991, application was filed pursuant to S.C. Code §58-5-240 (1976) and 26 S.C. Regs. 103-821 (1976).

By letter dated June 11, 1991, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's application. The Notice of Filing indicated the nature of the Company's application and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file the appropriate pleadings. The Company was likewise required to directly notify all customers affected by the proposed rates and charges. Petitions to Intervene were filed on behalf of Steven W. Hamm, the

Consumer Advocate for the State of South Carolina (the Consumer Advocate), and by B. F. Kiker. Notices of Protest were filed by George M. Tucker, Bruce E. Bondo, George W. Stock, and W.M. Holland.

The Commission Staff (Staff) made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered other detailed information concerning the Company's operations. The Consumer Advocate likewise conducted discovery.

A public hearing relative to the matters asserted in the Company's application was held on October 10, 1991, in the Hearing Room of the Commission at 111 Doctor's Circle, Columbia, South Carolina. Pursuant to S.C. Code Ann.§58-3-95 (Supp. 1990), a panel of three Commissioners was designated to hear and rule on this matter. The panel was comprised of Chairman Marjorie Amos-Frazier, Cecil A. Bowers and Guy Butler. Chairman Amos-Frazier presided. George S. King, Jr., Esquire, represented the Company; Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate; and Gayle B. Nichols, Esquire, represented the Commission Staff. Mr. Kiker did not appear at the hearing.

The Company presented the testimony of J. Donald Dial, President of Woodland, to explain the services being provided by the Company, the financial statements and accounting adjustments submitted, and the reasons for the requested rate increase. The Consumer Advocate presented the testimony of Philip E. Miller. The Commission Staff presented the testimony of William O. Richardson, Utilities Engineer Associate with the Water and

Wastewater Department of the Commission, and Sharon Scott, Public Utilities Accountant. Protestant George M. Tucker and two other customers, Fred Carleton and Danny Brabham, also testified.

Based on its thorough consideration of the evidence presented at the hearing, Woodland's verified application, and the applicable law, the Commission makes the following findings and fact and conclusions of law.

FINDINGS OF FACT

1. Woodland is a South Carolina corporation which provides wastewater service to 868 residential and commercial customers in Lexington County, South Carolina. Application.

2. The Company's present rates and charges were approved by Order No. 87-1395, dated December 22, 1987, in Docket No. 87-203-S. Hearing Exhibit 5.

3. At present, the Company charges a $9.00 monthly fee for single family residences and a $8.50 monthly fee for apartments. It also charges $0.51 per person for schools with no showers, gym, or cafeteria; $0.64 per person for schools which have a cafeteria but no gym or showers; and $0.77 per person for schools which have a cafeteria, gym, and showers.

4. The Company proposes to increase the monthly residential and apartment sewer charge to $19.00. In addition, the Company proposes to increase the monthly charge to $1.35 for a school with a cafeteria, no gym, and no showers.[1] If granted, these proposed

1. Woodland serves one school, Seven Oaks Elementary School, which has a cafeteria but no gym and no showers.

charges would increase a residential customer's average monthly bill by 111.11%, an apartment customer's average bill by 123.53%, and the school's bill by 164.71%. Hearing Exhibit 5.

5. Woodland's President Dial testified that an increase in the Company's rates and charges is necessary in order for it to maintain adequate customer service. Dial explained that Woodland's last rate increase was in 1987 and that since that increase the Company has lost $103,838 due to increased operating expenses. Dial testified that Woodland's operating expenses have increased for two reasons: (1) environmental concerns have made the South Carolina Department of Health and Environmental Control's (DHEC's) requirements more stringent and (2) Woodland's cost to maintain its twenty year old equipment has increased.

6. Protestant Tucker testified that he had obtained the signatures of two hundred customers who opposed a rate increase in the amount proposed by the Company. Fred Carleton testified that Woodland's service was "impeccable." He explained that although he did not want Woodland's customers to be overcharged, he wanted Woodland to have sufficient revenues to operate efficiently. Danny Brabham testified that a 40% increase in Woodland's rates and charges would be reasonable.

7. The Company proposed that the appropriate test year upon which to consider its requested increase is the twelve month period ending February 28, 1991. Application.

8. Under its presently approved rates, the Staff stated that Woodland's operating revenues for the test year, after

accounting and pro forma adjustments, were $94,969. Hearing Exhibit 4. Under Woodland's presently approved rates, Staff concluded the Company's operating expenses for the test year, after accounting and pro forma adjustments, were $119,582. Hearing Exhibit 4. Staff made this conclusion after making the following adjustments to the Company's expense accounts:[2]

(A) Maintenance Expenses

Staff proposes to adjust the Company's maintenance expenses for items that should have been capitalized.[3] Additionally, Staff proposes to adjust the Company's maintenance expense by $9,094 which was received by the Company as reimbursement on an insurance claim. Staff's proposed adjustment results in a $21,378 decrease to the Company's maintenance expenses. Although he accepted Staff's proposed adjustment, Company witness Dial testified he anticipated that his maintenance expenses would likely increase over the next few years.

The Consumer Advocate's witness Miller testified that he agreed with Staff's adjustment for items which should have been capitalized rather than expensed. Miller, however, testified that the Company's test year maintenance expenses appeared excessive

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2. At the hearing, Company witness Dial testified that, except for its proposed adjustment to interest expense, he agreed with all of the Staff's proposed adjustment. Accordingly, this Order will only address Staff's proposed adjustment to interest expense and the differences between Staff's and the Consumer Advocate's proposed adjustments.

3. Specifically, Staff proposed to capitalize expenses associated with new well and water lines and with the dechlorination system.

and that the Commission should normalize the maintenance expense to a four year average of $38,182 which results in an adjustment of ($24,295) to the Company's per book maintenance expenses.

(B) Office and Miscellaneous Expenses

The Consumer Advocate asserts the Company's test year office and miscellaneous expenses are excessive. Accordingly, the Consumer Advocate proposes to adjust the Company's per book office expense by ($414) and miscellaneous expense by ($261) to reflect four year averages for these expenses. Specifically, the Consumer Advocate notes that the Company's four year average for office expenses is $631 and that the Company's four year average for miscellaneous expenses is $1,818, while its test year expenses are $1,044 and $2,079, respectively. Staff proposes no adjustment to Woodland's office or miscellaneous expenses.

(C) Salary Expense

Because Woodland's employees are employed by both the Company and Alpine Utilities, Inc. and draw one salary from these companies,[4] Staff proposes to allocate the salaries earned by the Company's employees between Woodland and Alpine Utilities, Inc. Staff proposes to allocate 14% of the total salaries to Woodland on the ground that Woodland has 14% of the combined customer units.[5] Staff's proposal reduces the Company's salary expenses by

4. The President of both utilities, J. Donald Dial, however, receives a salary from each company.

5. Woodland has 868 customers units and Alpine Utilities, Inc. has 5,518 customer units. Scott, pre-filed testimony.

($3,802).

The Consumer Advocate proposes eliminating the salary for the secretary on the ground that the level of pay is excessive. In addition, the Consumer Advocate proposes allocating 16% of the remaining salaries to Woodland.

Dial testified that he agreed with Staff's recommendation. On cross-examination by the Consumer Advocate, Dial explained that Woodland and Alpine Utilities, Inc.'s secretary's combined salary of $35,000 was not excessive. He testified that the secretary was actually an office manager, that she was a good worker, and had been employed by the Company for six to eight years.

(D) Rate Case Expenses

Staff proposes to amortize the Company's actual rate case expenses $7,432 for the current proceeding over a three-year period. This proposal results in a $2,477 rate case expense. The Consumer Advocate proposes to amortize the Company's rate case expenses over a three-year period. Witness Miller testified that the Company had incurred actual costs of $3,432 and, therefore, he recommended the rate case expense be $1,144.[6]

(E) Shared Expenses

Staff verified the office rent, telephone, postage, and computer expenses Woodland shared with Alpine Utilities, Inc.[7] and, thereafter, allocated 14% of the expenses to the Company.[8] In regard to the computer expenses, Staff found that $3,764 which

6. At the time Miller submitted his pre-filed testimony, the Company had incurred rate case expenses of $3,432.

were used for updating the Company's programs and purchasing software should have been capitalized and that $462.50 were shared operating expenses. Scott, pre-filed testimony, p. 9. Based on its verification of the Company's expenses and its allocation, Staff proposed increasing the Company's shared expense by $684.[9]

The Consumer Advocate proposed to include $1,442 as shared expenses. The Consumer Advocate obtained this figure from the office rent, telephone, and postage expenses noted on the Company's application. Additionally, the Consumer Advocate recommended disallowing any computer expenses for Woodland "unless there were costs expensed during the test year which should have been capitalized." Miller, pre-filed testimony, p. 12.

(F) Non-Allowable Expenses

Staff proposes to disallow $52 of expenses which the Company incurred by purchasing Christmas gifts. The Consumer Advocate did not propose an adjustment for this expense.

(G) Depreciation Expense and Accumulated Depreciation

The Consumer Advocate proposes to adjust the Company's depreciation expense by $1,216 to reflect the purchase and installation of a dechlorination system on January 31, 1991.

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7. The Consumer Advocate agreed with Staff's proposed adjustment for car expenses. Accordingly, the Commission has not addressed this issue.

8. See Staff's explanation of the quantification of its allocation factor on page 6, Salary Expense.

9. Except for three months' rent and a $62.99 telephone expense, Woodland's books did not reflect these shared expenses.

Staff proposes to adjust the Company's depreciation expense by $1,497 to reflect the addition of the dechlorination system and for new well lines, new water lines, and computer expenses it recommended be capitalized. Staff also proposes that Woodland's depreciation expense be adjusted for the cumulative tap fees received by the Company.

(H) Interest Expense

Staff proposes an adjustment of ($5,305) to the Company's per book interest expense to reflect the interest expense on the investment in the Company's rate base.[10] Staff witness Scott testified that the purpose of the proposal was to synchronize the Company's recovery of interest expense with borrowed capital. Scott explained that this proposed adjustment would prevent a utility from recovering interest on money it had borrowed for cash flow purposes rather than for rate base expenditures. Finally, Scott testified that for the past five years the Staff had been excluding all interest expense from operating margins but had recently begun allowing recovery of interest synchronized to rate base.

Consumer Advocate witness Miller testified he agreed with Staff's proposal to limit interest expense to the debt portion of Woodland's rate base. Miller testified that this interest synchronization is important because utilities do not always use

10. Staff witness Scott testified that Woodland had incurred $170,000 of debt primarily to make up its operating losses since its last rate increase.

borrowed capital for rate base purposes and because a utility's rate base is not solely comprised of investor-supplied plant but is often comprised of non-investor supplied contributions such as tap fees. Miller explained that if interest is not synchronized, a utility could recover its interest expense from ratepayers on capital that was not utilized for plant purposes and could recover interest from ratepayers on funds supplied by the ratepayers themselves. Miller further testified that interest synchronization was particularly important for water and sewer utilities because they are often operated by individuals who are involved in more than one business enterprise.

Company witness Dial proposes to adjust Woodland's per book interest expense of $9,637.58 by $6,552.59 to reflect its increases in long-term debt due to operating losses and the purchase of a new dechlorination system. At the hearing Dial testified that Woodland's $170,000 loan from C&S Bank was used to cover the Company's operating losses over the past five years. Dial specified he was not requesting that the Commission provide the Company with means to recover its past operating losses but that it enable the Company to recover all of the interest on the $170,000 loan. Dial admitted he was "far from an expert on utility accounting" (Dial, Rebuttal testimony, p. 1) and, on cross-examination, he stated that since 1989 Woodland could have applied to the Commission for a rate increase instead of borrowing money to cover the Company's operating losses.

(I) Adjustment to Plant in Service

Staff proposes to increase Woodland's account for plant in service by a total of $23,737. This proposal was based on the Staff's recommendation to capitalize the Company's new well and water line, a portion of the dechlorinator expenses, and a portion of the computer expenses. Additionally, Staff's proposal included an increase to plant for new fences and gates which were completed after the test year. The Consumer Advocate did not offer a recommendation on this issue.

(J) Contributions in Aid of Construction

Staff proposes to classify Woodland's cumulative tap fees of $13,800 as contributions in aid of construction. This proposal included removing the one $250 tap fee collected during the test year from the Company's operating revenues and classifying it as a contribution in aid of construction.

9. Staff found that, after accounting and pro forma adjustments to its operating revenues and expenses, Woodland's net income for return was ($24,613) and its present operating margin was (30.48%). Hearing Exhibit 4.

10. Staff concluded that the Company's proposed increase in its rates and charges would increase its operating margin to 30.96%. Hearing Exhibit 4.

CONCLUSIONS OF LAW

1. The Company is a sewer utility providing sewer service in its service area within South Carolina. The Company's operations in South Carolina are subject to the jurisdiction of

the Commission pursuant to S.C. Code Ann.§58-5-10, et seq. (1976).

2. A fundamental principle of the ratemaking process is the establishment of a historical test year as the basis for calculating a utility's operating revenues and expenses and, consequently, the validity of the utility's requested rate increase. While the Commission considers a utility's proposed rate increase based upon occurrences within the test year, the Commission will also consider adjustments for any known and measurable out-of-test-year changes in expenses, revenues, and investments and will also consider adjustments for any unusual situations which occurred in the test year. See, Parker v. South Carolina Public Service Commission, 280 S.C. 310, 313 S.E.2d 290 (1984), citing City of Pittsburgh v. Pennsylvania Public Utility Commission, 187 Pa.Super. 341, 144 A.2d 648 (1958); Southern Bell v. The Public Service Commission, 270 S.C. 590, 244 S.E.2d 278 (1978).

In light of the fact that the Company proposes the twelve-month period ending February 28, 1991, is the appropriate test year and Staff has audited the Company's books for that period, the Commission concludes that the twelve-month period ending February 28, 1991, is the appropriate test year for the purposes of this rate request.

3. The Commission also concludes that Staff's adjustments to the Company's operating expenses are appropriate. The Commission makes this conclusion based upon the following legal principles and reasoning:

(A) Maintenance Expenses

The Commission adopts the Staff's proposal to capitalize expenses associated with the purchase and installation of the Company's new well and water lines and with its dechlorination system. Additionally, the Commission adopts the Staff's proposal to reduce the Company's maintenance expense by the $9,094 received by it as reimbursement on an insurance claim. Finally, the Commission disallows the Consumer Advocate's proposal to normalize the Company's test year expenses with that of the previous four years. The Commission recognizes that the $41,099 adjusted test year expense is not inordinately more than the Consumer Advocate's average maintenance expense of $38,182. Moreover, the Commission notes that Dial testified he anticipated Woodland's maintenance expenses would likely increase over the next few years. The Commission, therefore, finds that the $41,099 adjusted test year expense is not unusual and should be accepted. Parker, supra.

(B) Office and Miscellaneous Expenses

The Commission has considered the Consumer Advocate's proposal to adopt the four year average for the Company's office and miscellaneous expense. Upon review of the Company's per book office and miscellaneous expenses and the four year average for these expenses, the Commission concludes the test year expenses are not so unusual or unordinary so as to require an adjustment. Id. Accordingly, the Commission denies the Consumer Advocate's proposed adjustment to office and miscellaneous expenses.

(C) Salary Expense

The Commission adopts Staff's recommendation to allocate 14% of the salaries paid jointly by Alpine Utilities, Inc. and Woodland to the Company. The Commission finds that this allocation factor, based on the Company's percentage of total customer units, is appropriate and fair. Moreover, the Commission recognizes that this allocation method is consistent with the allocation method used in the Company's prior rate case.

The Commission, however, disallows the Consumer Advocate's proposal to eliminate the $35,000 salary for a secretary. While the secretary earns a generous salary, the Commission finds the salary is not without justification. The secretary has been employed by Woodland for six to eight years. Dial explained that she was a good worker and actually performed the duties of an office manager.

(D) Rate Case Expenses

The Commission accepts Staff's proposal to amortize the Company's actual rate case expenses of $7,432 over three years. The Commission has generally used the amortization period of three years for rate case expenses and finds no reason to alter this amortization period in the present proceeding.

(E) Shared Expenses

The Commission adopts Staff's recommendation to allocate $684 to Woodlands for expenses it shares with Alpine Utilities, Inc. As previously discussed in its conclusions regarding salary expense, the Commission finds that a 14% allocation to Woodland is appropriate. Moreover, since the Company agreed that the proper shared expenses were those which were verified and recommended by Staff, the Commission finds that the Staff's proposal as to shared expenses should be adopted.[11] Moreover, the Commission adopts Staff's proposal to capitalize $3,764 of the Company's test year computer expenses since these expenses were used to update Woodland's computer system.

(F) Non-Allowable Expenses

The Commission adopts Staff's proposal to disallow $52 of expense incurred by the Company in purchasing Christmas gifts. The Commission concludes that this disallowance is proper because expenses associated with Christmas gifts do not benefit the Company's ratepayers and are properly a shareholder expense.

(G) Depreciation Expense and Accumulated Depreciation

The Commission concludes that the Company's depreciation expense should be adjusted by $1,497 to reflect each of the items which should have been capitalized during the test year (new well and water lines, a portion of the dechlorinator expenses, and a portion of the computer expenses). The Commission further concludes that the Company's depreciation expense associated with the cumulative tap fees should be disallowed. The Commission

11. The Consumer Advocate recommended that a larger amount of shared expenses be allocated to the Company. The Consumer Advocate's recommendation is based on the Company's financial exhibits in its application which were submitted prior to the Company agreeing to Staff's adjustment.

finds that, for ratemaking purposes, a utility should not be able to recover depreciation expense on non-investor supplied funds such as tap fees.

(H) Interest Expense

The Commission adopts Staff's proposal to synchronize the Company's interest expense and its associated income tax savings to the debt portion of its rate base. The Commission finds that Staff's proposal equitably allocates interest expense and tax savings between the utility's shareholders and ratepayers as it insures that ratepayers will not pay for interest expense incurred for non-utility purposes.

Woodland requests that it be allowed to recover its interest expense on funds borrowed to cover its prior operating losses. The Commission denies this request. Allowing Woodland to recover all of its interest would penalize Woodland's ratepayers and encourage the utility to ignore the ratemaking process. The ratemaking process is established to allow utilities to seek rate relief when their authorized rates are insufficient to cover their operating expenses. Moreover, the ratemaking process allows this Commission to review the propriety of a utility's operating expenses and determine which expenses should properly be recovered through rates. Allowing a utility to borrow funds to cover its operating losses and then recover its interest on its debt from its ratepayers encourages the utility to avoid the ratemaking procedure. Accordingly, the Commission adopts Staff's proposal on interest synchronization.

(I) Adjustment to Plant in Service

The Commission concludes it is appropriate to increase the Company's plant in service by the items which should have been capitalized during the test year and by the new fences and gates which were completed after the test year. Therefore, the Commission adopts Staff's proposal to increase Woodland's plant in service account by $23,737.

(J) Contributions in Aid of Construction

The Commission finds that Woodland's cumulative tap fees collected from its customers should be classified as contributions in aid of construction. In addition, the Commission concludes that the one $250 tap fee collected during the test year should be removed from the Company's operating revenues and classified as a contribution in aid of construction. Accordingly, the Commission adopts Staff's proposal in regard to contributions in aid of construction.

4. The Commission concludes that the Company's appropriate operating expenses for the test year, after accounting and pro forma adjustments, were $119,582.

5. Based on the above determinations concerning the accounting and pro forma adjustments to the Company's revenues and expenses, the Commission concludes that the Company's net income for return was as follows:

TABLE A
NET INCOME FOR RETURN

BEFORE RATE INCREASE

Operating Revenues	$ 94,969
Operating Expenses	119,582
Net Operating Income	(24,613)
Customer Growth	0
Net Income for Return	(24,613)

6. Under the guidelines established by the decisions of Bluefield Waterworks and Improvement Co. v. Public Service Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and . . . that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

7. There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of the rates of a public utility. For a sewer utility whose rate base has been substantially reduced by customer donations, tap fees, contributions in aid of construction, and book value in excess of

investment, the Commission may decide to use the "operating ratio" and/or "operating margin" method for determining just and reasonable rates. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues; the operating margin is determined by dividing the net operating income for return by the total operating revenues of the utility. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E.2d 257 (1984).

The Commission concludes that use of the operating margin is appropriate in this case. Based on the Company's gross revenues for the test year, after accounting and *pro forma* adjustments under the presently approved schedules, the Company's operating expenses for the test year after accounting and *pro forma* adjustments, and customer growth, the Company's present operating margin is as follows:

TABLE B
OPERATING MARGIN

BEFORE RATE INCREASE

Operating Revenues	$ 94,969
Operating Expenses	119,582
Net Operating Income	(24,613)
Customer Growth	0
Total Income for Return	(24,613)
Operating Margin (After Interest)	(30.48%)[12]

8. The Commission is mindful of the standard delineated in the Bluefied decision and of the need to balance the respective

12. The operating margin reflects Total Income for Return less interest expense of $4,333.

interests of the Company and of the consumer. It is incumbent upon this Commission to consider not only the revenue requirements of the Company but also the proposed price for the sewer service, the quality of the sewer service, and the effect of the proposed rates upon the consumer. See, Seabrook Island Property Owners Ass. v. S.C. Public Service Commission, __S.C.__, 401 S.E.2d 627 (1991).

9. The three fundamental criteria of a sound rate structure have been characterized as follows:

> . . . (a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.
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> Bonbright, Principles of Public Utility Rates (1961), p. 292.

10. Based on the considerations enunciated in Bluefield and Seabrook Island and on the fundamental criteria of a sound rate structure as stated in Principles of Public Utility Rates, the Commission determines that the Company should have the opportunity to earn a 19.65% operating margin. In order to have a reasonable opportunity to earn 19.65% operating margin, the Company will need to produce $164,522 in annual operating revenues, which is an increase of $69,553.

TABLE C
OPERATING MARGIN
AFTER RATE INCREASE

Operating Revenues	$164,522
Operating Expenses	127,881
Net Operating Income	36,641
Customer Growth	21
Total Income for Return	36,662
Operating Margin (After Interest)	19.65%[13]

11. The Commission has carefully considered the concerns of the Company's customer. The Commission recognizes that a $10.00 monthly increase for residential customers constitutes a 111.11% increase in rates and that a $10.00 monthly increase for apartment customers constitutes a 123.53% increase in their rates. Moreover, the Commission notes that the proposed increase to the school constitutes an increase of 164.71%. In addition, the Commission recognizes one customer has obtained the signatures of approximately two hundred of Woodland's customers opposing an increase in the amount proposed by the Company. One customer, Danny Brabham, appeared at the hearing and testified that a 40% increase in rates would be reasonable. Another customer, Fred Carleton, testified that a rate increase which would provide Woodland with sufficient revenues to operate efficiently would be appropriate.

12. On the other hand, the Commission is cognizant of the fact that basic expenses have increased over time as a result of inflation, that DHEC's requirements have become more stringent, and

13. The operating margin reflects Total Income for Return less interest expense of $4,333.

that Woodland's cost of maintaining its twenty year old plant has increased. Further, the Commission recognizes that the Company's ratepayers have not had their rates increased since 1987.

13. The Commission concludes that while an increase in rates is necessary, the proposed increase in inappropriate. Accordingly, the Commission will allow the Company to increase its monthly residential and apartment sewer charge to $15.00. The Commission also approves a monthly increase to $1.07 per person for schools which have a cafeteria but no gym or showers.[14]

14. Based on the above considerations and reasoning, the Commission hereby approves the proposed rates and charges as stated in this Order as a just and reasonable manner in which to produce and distribute the increased revenues which are necessary to provide the Company with the opportunity to earn the approved operating margin.

15. Accordingly, it is ordered that the rates and charges attached on Appendix A are approved for service rendered on or after the date of this Order. The schedule is hereby deemed to be filed with the Commission pursuant to S.C. Code Ann.§58-5-240 (1976). For customers who have paid their bills in advance of this rate increase the rates approved for service in Appendix A shall not be effective until such time as their next payment is due.

16. It is ordered that should the approved schedule not be

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14. Because Woodland only has one school customer which has a cafeteria, no gym and no showers, the Commission finds it unnecessary to approve a rate for schools with a gym and/or showers.

placed in effect until three (3) months after the effective date of this Order, the approved schedule shall not be charged without written permission of the Commission.

17. If is further ordered that the Company maintain its books and records for water operations in accordance with the NARUC Uniform System of Accounts for Class A and B Sewer Utilities, as adopted by this Commission.

18. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Marjorie Amos-Frazier
Chairman

ATTEST:

Deputy Executive Director

(SEAL)

APPENDIX A

WOODLAND UTILITIES, INC.

FILED PURSUANT TO DOCKET NO. 91-237-S - ORDER NO. 91-1023

EFFECTIVE DATE: NOVEMBER 20,1991

SEWER SERVICE

SINGLE FAMILY RESIDENCE---------------$15.00 PER MONTH

APARTMENTS----------------------------$15.00 PER MONTH

SCHOOLS: (WITH CAFETERIA, NO GYM, NO SHOWERS)

PER PERSON------------------------$ 1.07 PER MONTH (1)

(1) BASED UPON SCDHEC'S GUIDELINES FOR UNIT CONTRIBUTORY LOADINGS TO WASTEWATER TREATMENT FACILITIES.